PharmAthene
175 Admiral Cochrane Drive, Suite 400
Annapolis, Maryland 21401
Telephone: 410.571.8920 ~ Fax: 410.571.8927
www.pharmathene.com

April 1, 2005

Gary M. Jackson
Assistant Administrator for Size
Office of Size Standards
Small Business Administration
409 Third Street, SW
Washington, DC 20416

Re: RIN 3245-ZA02 Proposed Rulemaking Affecting SBIR Funding

Dear Mr. Jackson:

On behalf of PharmAthene, Inc., I want to thank you for the opportunity to comment on the Small Business Administration's (SBA) Advance Notice of Proposed Rulemaking (ANPRM) regarding the participation of businesses in the SBIR program that are majority-owned by one or more venture capital companies (VCC).

PharmAthene is a small biotechnology company (fewer than 75 employees) solely focused on the development and commercialization of biological and chemical defense technologies. Companies such as ours normally receive SBIR grants to fuel early stage research and development that lead to the commercialization of a technology. It must be understood, however, that SBIR grants in no way sustain emerging biotech companies over the course of the five to ten years of development required to bring a product to market at a price tag of $50 to $100 million. Without venture capital support it is unlikely that many biotechnology products would be fully commercialized. PharmAthene could not develop the critical countermeasures to protect the nation from bio and chemical terrorism without key venture capital support. It is for this reason that I believe it is vital that venture backed small businesses such as mine be allowed to participate in the SBIR grant program.

I understand the 51% Rule now allows an SBIR award recipient to be owned by a VCC, as long as the VCC is itself owned and controlled by U.S. individuals. Applicants who meet the ownership criteria in the 51% Rule, however, are still subject to SBIR size standards, most significantly, limiting the number of employees of the applicant and its affiliates to 500. The SBA is now seeking comment as to whether VCCs should be excluded from this definition of affiliate when determining small business eligibility for the SBIR program.

While I applaud the SBA's recognition in the 51% Rule that a business concern can be technically both majority-owned by VCCs and still eligible to receive an SBIR award, it does not fully accomplish the goals of Small Business Innovation Development Act (SBIDA), since the majority of limited partners in a VCC are not individuals even if in such cases, as in pension funds, they represent the interests of individuals. I believe that a pragmatic framework that reasonably allows VCC-financed small businesses to receive SBIR grants is still several steps away. **We believe that the SBA should (1) provide an exclusion from affiliation with VCCs in determining small business eligibility and (2) further extend an exception to the 51% Rule to include VCCs in the definition of "individuals."**

I appreciate the opportunity to comment on this important matter.

Sincerely,

David P. Wright FC/for

David P. Wright
President and CEO